



FEDERAL RESERVE SYSTEM

Agency Information Collection Activities: Announcement of Board

Approval Under Delegated Authority and Submission to OMB

AGENCY: Board of Governors of the Federal Reserve System

SUMMARY: Notice is hereby given of the final approval of a proposed information collection by the Board of Governors of the Federal Reserve System under OMB delegated authority, as per 5 CFR 1320.16 (OMB Regulations on Controlling Paperwork Burdens on the Public).

Board-approved collections of information are incorporated into the official OMB inventory of currently approved collections of information. Copies of the Paperwork Reduction Act Submission, supporting statements and approved collection of information instrument(s) are placed into OMB's public docket files. The Federal Reserve may not conduct or sponsor, and the respondent is not required to respond to, an information collection that has been extended, revised, or implemented on or after October 1, 1995, unless it displays a currently valid OMB control number.

FOR FURTHER INFORMATION CONTACT:

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Division of Research and Statistics, Board of Governors of the Federal Reserve System, Washington, DC 20551 (202) 452-3829.

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OMB Desk Officer — Shagufta Ahmed — Office of Information and Regulatory Affairs, Office of Management and Budget, New Executive Office Building, Room 10235, 725 17th Street, NW., Washington, D.C. 20503.

Final approval under OMB delegated authority the implementation of the following information collection:

Report title: Retail Payments Surveys.

Agency form number: FR 3066a, b, c, and d.

OMB control number: 7100-0351

Frequency: FR 3066a, b, and c: triennial (once every three years) and FR 3066d: annual and on occasion.

Reporters: Depository and financial institutions, payment networks, payment processors, and payment instrument issuers.

Estimated reporting hours: FR 3066a: 49,000 hours; FR 3066b: 1,040 hours; FR 3066c: 450 hours; FR 3066d: 400 hours.

Estimated average hours per response: FR 3066a: 35 hours; FR 3066b: 8 hours; FR 3066c: 3 hours; FR 3066d: 8 hours.

Estimated number of respondents: FR 3066a: 1,400; FR 3066b: 130; FR 3066c: 150; FR 3066d: 50.

General description of report: The Federal Reserve is generally authorized to collect the information called for by the FR 3066 series pursuant to sections 2A and 12A of the Federal Reserve Act. In addition, survey questions in the FR 3066 are authorized pursuant to the Board's authority under one or more of the following statutes:

- Expedited Funds Availability Act § 609 (12 U.S.C. § 4008)
- Electronic Fund Transfer Act § 904 (15 U.S.C. § 1693b) and § 920 (15 U.S.C. § 1693o-2)
- Truth in Lending Act § 105 (15 U.S.C. § 1604)
- The Check Clearing for the 21st Century Act § 15 (12 U.S.C. § 5014)
- Federal Reserve Act § 11 (Examinations and reports, Supervision over Reserve Banks, and Federal Reserve Note provisions, 12 U.S.C. § 248); § 11A (Pricing of Services, 12 U.S.C. § 248a); § 13 (FRB deposits and collections, 12 U.S.C. § 342); and §16 (Issuance of Federal Reserve Notes, par clearance, and FRB clearinghouse, 12 U.S.C. §§ 248-1, 360, and 411).

Additionally, depending upon the survey respondent, the information collection may be authorized under a more specific statute. Specifically, the

Board is authorized to collect information from state member banks under section 9 of the Federal Reserve Act (12 U.S.C. § 324); from bank holding companies (and their subsidiaries) under section 5(c) of the Bank Holding Company Act (12 U.S.C. § 1844(c)); from savings and loan holding companies under (12 U.S.C. §§ 1467a(b)(3) and 5412), from Edge Act and agreement corporations under sections 25 and 25A of the Federal Reserve Act (12 U.S.C. §§ 602 and 625); and from U.S. branches and agencies of foreign banks under section 7(c)(2) of the International Banking Act of 1978 (12 U.S.C. § 3105(c)(2)), and under section 7(a) of the Federal Deposit Insurance Act (12 U.S.C. § 1817(a)).

Obligation to Respond: Voluntary.

Confidentiality: Respondents to the various surveys are requested to report confidential business information, such as information requested in the FR 3066a (for depository and financial institutions) about the number and value of deposits in various customer account types, image check deposits, paper check deposits, ACH entries, wire transfers, debit and prepaid card transactions, credit card transactions, mobile payments, and transactions involving third-party fraud. The other surveys request similar types of confidential “number and value” information appropriate to the surveyed entities. For example, the Network, Processor, and Issuer Payments Surveys

(FR 3066b) request the number, value, and type of transactions involving credit cards (both general-purpose and private-label), debit cards, and prepaid cards from respondents (card networks, card processors, and retail merchants). Only aggregate totals from the surveys, such as estimated national volumes and trends in different types and categories of payments, check distribution, and established and emerging payment instruments, are proposed to be publicly released.

Under exemption 4 of the Freedom of Information Act (“FOIA”), 5 U.S.C. § 552(b)(4), “trade secrets and commercial or financial information obtained from a person and privileged or confidential” may be excluded from disclosure. The confidential business information collected voluntarily from individual respondents may be withheld, as release of such information would impair the Board’s ability to collect such information in the future. Moreover, disclosure of such confidential business information could cause substantial competitive harm to the survey respondents. *See National Parks & Conservation Ass’n v. Morton*, 498 F.2d 765, 770 (D.C. Cir. 1974).

Abstract: The voluntary Retail Payments Surveys are designed to collect information needed to support the Federal Reserve System’s role in the retail

payments system.¹ The FR 3066a and the FR 3066b collect information on the national volume (number and value) of major categories and subcategories of established and emerging methods of noncash payment from a nationally representative, stratified random sample of depository institutions and from a census of payments networks, processors, and issuers, respectively. These two surveys also collect information on trends in different business arrangements and technologies connected with the initiation, authorization, collection, and processing of payments. In addition, the FR 3066a collects the volumes of bank customers' cash withdrawals and deposits at retail branches, wholesale vaults, and automated teller machines (ATMs). The FR 3066b collects information on cash substitution, such as the distribution of low-value purchases made with noncash instruments and the loading of cash onto other payment instruments.

¹ While the Federal Reserve is involved with both retail and wholesale payments, these surveys are designed to collect information on retail payments and the systems or networks that are primarily used to make retail payments. Retail payments are generally for relatively small dollar amounts and often involve a depository institution's retail clients—individuals, businesses, and governments. Wholesale payments are generally for relatively large dollar amounts, and often involve a depository institution's large corporate customers or counterparties, including other financial institutions. Wholesale payments are not the main focus of the surveys, but may be included in cases where there is a need.

The FR 3066c collects data from samples of individual checks obtained from a sample of depository institutions.² The FR 3066d collects payment volumes similar to those collected in the FR 3066a or the FR 3066b from a subset of respondents to obtain information about changes in volumes that may occur in the two years between triennial surveys.

In general, the FR3066a, b, and c surveys will be distributed in the first quarter of 2013, and data collection will primarily take place during the second quarter 2013.

Current Actions: On September 6, 2012, the Federal Reserve published a notice in the *Federal Register* (77 FR 54912) requesting public comment for 60 days on the implementation of the FR 3066a, b, c, and d. The comment period for this notice expired on November 5, 2012. The Federal Reserve received four comment letters addressing the proposed implementation of this information collection, which are summarized and addressed below.

Summary Discussion of Public Comments and Responses

The Federal Reserve received written comments from one financial institution, one merchant trade association, one payment card network, and

² This survey is similar to the Check Sample Studies, part of the Federal Reserve Payments Study (FRPS), conducted by the Retail Payment Office (RPO) in 2001, 2007, and 2010. As with past studies, copies of checks or any information that would identify payers or payees on the checks would not be retained or used for any purpose other than estimating the aggregate proportions of different types of checks.

one payment industry association. All commenters supported the data collection effort, and noted that the information is widely used by payment system participants as a benchmark and to gain insights into payment system trends. Commenters believed that providing the data requested in the surveys would generally not be burdensome to respondents.

At the Federal Reserve's request, contractors assisting with the survey design conducted industry outreach calls to obtain additional insights into the clarity of the survey forms and the feasibility of providing the requested data items. Institutions represented in the calls included financial institutions, networks, and processors of several types and sizes.

The detailed discussion in this notice addresses the specific substantive issues that arose from the written comments and the industry outreach calls, and modifications to the surveys in response to the comments. In addition to the modifications discussed below, minor clarifications will be made to the surveys in response to the comments.

Detailed Discussion of Public Comments and Response

Depository and Financial Institution Payments Survey (FR 3066a)

General Comments

The Federal Reserve specifically requested comment on whether reporting data for March 2013 was more feasible and/or useful than

reporting data for another period such as March and April 2013 combined. One commenter specifically noted that reducing the number of months of data from two consecutive months to one (as compared with the 2010 version of the survey) would simplify the response process, but have no substantial effect on the quality or validity of the data provided. If, as proposed, only March data were collected, another commenter urged the Federal Reserve to maintain comparability with previous surveys by accounting for the seasonality in card data when annualizing estimates from the survey. The Federal Reserve believes that the reduction in the complexity provided by reporting one month rather than two months of data will help maintain high response rates, and offset the increased complexity of the survey compared with the 2010 version, and will use the available information to ensure comparability with previous studies.

The Federal Reserve plans to help respondents prepare for data submission by engaging a contractor to assist with several voluntary interactive survey training sessions where respondents will be invited to ask clarifying questions or discuss their own data-reporting circumstances. Based on these sessions, the FR 3066 information collection will continue to be clarified and a frequently asked questions document will be developed.

Section-by-section analysis of substantive comments

Customer Accounts

This section contains questions about the number and value of transaction deposit accounts, prepaid card program accounts, and credit card accounts, as well as the number of debit, prepaid and credit cards outstanding. Some commenters noted that various sections of the survey would be distributed to several different business lines within their institution and, in order to more readily associate the account and card data to the related transaction data, suggested that these questions be moved to account specific sections of the survey. The Federal Reserve will implement this suggestion.

The Federal Reserve specifically requested comment on how institutions refer to “full service” transaction deposit accounts (e.g. checking accounts, debit card accounts, etc.) to distinguish them from prepaid card accounts. One commenter noted that the main distinguishing factor for prepaid versus full service is unlimited check writing ability on a full service account. Based on this comment and others, the Federal Reserve will clarify the definition of prepaid card accounts compared with other types of accounts.

The Federal Reserve also specifically asked for comment on whether it is more feasible and/or useful to ask for the number of active cards outstanding or the number of accounts with recent card activity for credit card, debit card, and prepaid card accounts. Several commenters generally believed that it was most relevant to request the number of eligible and active cards outstanding rather than the number of accounts with cards outstanding. The Federal Reserve will modify the survey to request the number of “cards in force” and active cards for credit cards, debit cards, and prepaid cards.

One commenter requested that information on the total number of cards in force with embedded chip technology would be valuable to the industry. The Federal Reserve will modify the survey to collect a count of the number of cards outstanding that have chip technology for credit cards, debit cards, and prepaid cards.

The Federal Reserve specifically asked for comment on the most feasible and/or useful time period over which a payment card account should have payment or transaction activity to be considered active as well as what kinds of transactions, if any, should not be counted toward activity. One commenter suggested that the definition of an active card for debit and prepaid cards—which would include purchases, but not cash withdrawals—

should be 30 days, while the credit card activity definition—which potentially would include purchases and balance transfers—should be 90 days due to the lower activity, in general, of credit cards. The Federal Reserve notes that the definition of an active card for debit, prepaid, and credit cards in this survey should be based on whether the card was used for a payment transaction (as defined in the survey form) during the 31-day survey period of March 2013. This approach allows for consistency of definition across cards, and also allows for the calculation of the number of payments per active card during the survey period.

Check Deposits

Some commenters expressed interest in understanding the number and value of consumer checks deposited remotely via a mobile device and believed it was feasible to do so. The Federal Reserve will add “checks deposited via mobile device” and “other” as subsets of data under item 7a.1.1 “consumer client image capture” to allow the reporting of this item. However, similar additional subsets will not be requested for business/government or correspondent checks.

ACH

The Federal Reserve specifically requested comment on whether including a breakout of ACH volumes (number and value) into

subcategories needed to identify interbank ACH payments would help to avoid double-counting correspondent ACH volumes. Based on comments received, the Federal Reserve will add a check box question on whether the responding institution processes ACH payments for another institution.

Outreach discussions raised a number of issues concerning the measurement of total ACH payments in the presence of several different practices involving the use of offset entries. In response, the Federal Reserve will add three check box questions to help account for and identify the prevalence of these different practices.

Wire Transfers

The Federal Reserve specifically requested comment on whether institutions can separate wire transfer origination volumes (number and value) by consumer and business/government customers. Some commenters stated that settlement transfers (including some “bank business” wires) would be included in the business wire category and should be listed in a separate subcategory. The Federal Reserve will include the subsets of “settlement” and “other” under business wire transfers.

Some commenters noted that allocating wire transfers to consumer and business categories would be a manual process and subject to error (e.g., some financial institutions might categorize some small-business wires as

consumer wires and others as business/government wires). The Federal Reserve realizes that respondents' ability to separate wires by type vary across institutions and will instruct respondents answer items they cannot measure as "not reportable" ("NR"). While some wires may be difficult for respondents to categorize, the responses in aggregate should provide a clearer measure of wire usage than what is currently available.

The Federal Reserve also specifically requested comment on whether institutions can separate wire transfer origination volumes (number and value) between domestic and foreign wire transfers. No commenters suggested that such a separation would be infeasible or burdensome. In addition, some outreach discussions identified an interest in measuring consumer cross-border payments. To address this interest, the Federal Reserve will create subsets of "consumer" and "other" transactions under "foreign wire transfers."

Debit and Prepaid Cards

One commenter stated that it could report cash back transactions for debit cards overall, but was not able to identify cash back from prepaid card transactions from other debit card transactions. The Federal Reserve will modify the survey so that respondents report cash back transactions for debit cards in the aggregate and enter NR in cases where data are unavailable.

Cash

Industry outreach discussions identified an interest in the number of remote currency management terminals (“smart safes”) and the number and value of deposit transactions that are associated with them. The Federal Reserve will include a section on Currency Management Terminals with six quantitative data items to accommodate reporting of this information. These terminals are relatively rare but are becoming more prevalent in the currency management industry. Most respondents likely will not be involved with these new terminals, and will be able to just enter “0” for these new data items.

Unauthorized Transactions (Third-party Fraud)

The Federal Reserve specifically requested comment on whether institutions can report information on unauthorized transactions, as defined, or whether another definition of third-party fraud would be more feasible and/or useful to report. One commenter was interested in the collection of more details on the types of fraud, suggesting a collection of stratified fraud categories. In weighing the inclusion of a fraud category, the Federal Reserve tried to balance the value of detailed information against the burden and feasibility of obtaining details on fraud. There are many ways to categorize fraud, and institutions follow differing methods of tracking it.

While recognizing the importance of the other types of fraud (such as first-party fraud) which the survey does not measure, the Federal Reserve will not make any changes to this section, which quantifies one broad and important type of payment fraud.

One commenter was concerned that the definition of “unauthorized payments” may not capture chargebacks, often initiated by the cardholder, and which may require payees or their agents to spend significant time and resources to validate the charge. While the Federal Reserve recognizes that the burden imposed by non-fraudulent chargebacks can be a significant concern for particular merchants, they do not necessarily constitute third-party fraud and should not be reported in this survey unless linked to an unauthorized transaction determined to be third-party fraud. Other surveys are designed to address some of these issues more fully and the Federal Reserve believes that this particular survey is not the proper forum to address chargebacks.

Network, Processor, & Issuer Payments Surveys (FR 3066b)

General Comments

Based on an evaluation of written comments and information gathered from industry outreach calls, the Federal Reserve will modify the survey forms with several minor definitional and reorganizational changes. One

change designed to ease the burden for certain items that may be unavailable are check boxes to allow respondents to indicate that the item is not tracked by the organization. Other general changes include revisions to create better consistency across forms.

One commenter suggested using the definition of a “general-use prepaid card” of Regulation II to define a prepaid card account for the network surveys. The Federal Reserve will keep the surveys consistent with this basic definition where applicable. In addition, for private label prepaid cards which are not for general use or for other cards that may not be covered by Regulation II, the definitions will be adapted as appropriate to maintain consistency.

One commenter requested that information be collected on the number and value of chargebacks and the number of cards outstanding that include chip technology. The Federal Reserve will add a field for the number and value of chargebacks as a subset of “adjustments and returns” for the relevant card networks. In addition, the Federal Reserve will request a count of the number of cards outstanding that have chip technology in the appropriate surveys.

The Federal Reserve specifically requested comment on whether card networks can report cash advances received in physical cash form as a

subset of total cash advances. (Total cash advances include not only physical cash advances but also other funds transfers such as an electronic transfer to a transaction deposit account or a payment made with credit account funds using a special check issued to the cardholder). One commenter noted that a particular network could report physical cash back from a bank teller or ATM, but could not report other types of cash advances. Industry outreach discussions with other networks reflected a similar position. Because it is the most feasible category, the Federal Reserve will revise the forms to ensure that physical cash back from ATMs and bank tellers may be reported as a separate line item for the relevant payment types.

The Federal Reserve specifically requested comment on the most feasible and/or useful time period over which various payment instruments should have payment or transaction activity to be considered active, as well as what kinds of transactions, if any, should not be counted toward activity. The Federal Reserve will use the definition of active as cards with any transaction activity during the survey reference period (calendar year 2012) as proposed, for consistency with previous surveys.

The Federal Reserve specifically requested comment on categorizations of payments that would be the most useful or feasible for

respondents to report. Based on industry outreach discussions, the Federal Reserve will add one or two categorizations of payments (such as procurement and fleet card accounts under private-label credit card) to increase the clarity of the survey forms. In addition, the Federal Reserve would, in a few cases, adjust volume subcategories to ensure that the most relevant categories are included for each of the specific types of payments. In some cases this would mean the addition of a line item, and in others it would mean the removal of a line item. For example, in the case of the signature debit survey, a line item for “PINless debit (i.e., bill pay to a utility)” may be added. In another example, the line item for “cash back” may be removed from the general purpose credit card survey. In a further example, “direct send/ consolidator (i.e., Fiserv/CheckFree) may be added to the online bill payment survey.

Board of Governors of the Federal Reserve System, December 10,
2012.

Robert deV. Frierson,
Secretary of the Board.
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